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Q 35769 FORM 10-QSECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

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March 31, 1992

For Quarter Ended.....

92-2248

() TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the transition period from.....to.....

09989

Commission file number.....

STAKE TECHNOLOGY LTD.

(Exact name of registrant as specified in its charter)

CANADA

N/A

(State or other jurisdiction of
incorporation or organization)(I.R.S. Employer
Identification No.)

PROCESSED BY

15-15-V

MAY 18 1992

2838 HIGHWAY 7, NORVAL, ONTARIO, L0P 1K0

(Address of principal executive offices)
(Zip Code)Microfilmed by
Q-Data Corp. - St. Petersburg, FL

(416) 455-1990

L3Q

(Registrant's telephone number, including area code)

N/A

(Former name, former address and formal fiscal year, if changed
since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

X
Yes..... No.....

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AVAILABLE

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuers classes of common stock, as of the latest practicable date.

CLASS - Common shares, no par value Outstanding at May 13, 1992
8,608,489 common shares

STAKE TECHNOLOGY LTD.

Form 10-Q

March 31, 1992

PART I. FINANCIAL INFORMATION*

Item 1. Unaudited Financial Statements-

Consolidated Balance Sheets at March 31, 1992,
and December 31, 1991.

Consolidated Statement of Deficit for the
periods ended March 31, 1992, and December 31, 1991.

Consolidated Statements of Earnings
for the three months ended March 31, 1992 and 1991.

Consolidated Statements of Changes
in Financial Position for the three months ended
March 31, 1992 and 1991.

Condensed notes to the Unaudited Financial
Statements.

**Item 2. Management's Discussion and Analysis of Financial
Condition and Results of Operations.**

PART II. OTHER INFORMATION

* All financial information is expressed in Canadian Dollars.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Recent Developments

The ENEA project in Italy will be completed in the summer of 1992. The Company expects to receive an additional contract for approximately \$180,000 from ENEA in the second quarter to provide training services.

The major new project for the Company is the Consumers Paper Recycling Plant to be built in Redcliff, Alberta by DeNovo Corporation (DeNovo). Stake has received a contract to supply steam explosion equipment to the mill and financing for this project is expected to be completed in the second quarter of 1992.

On April 27th, 1992 the new Black Clawson pilot plant officially opened in Middletown, Ohio. This pilot plant features the Stake steam explosion equipment and allows the prospective clients to test their own particular raw materials through the steam explosion process with a variety of subsequent production steps optimizing the process for their particular needs.

In the second quarter the Company will begin a \$285,000 contract for a economic and preliminary engineering study of an alcohol from wastepaper plant in Ontario. This project is being developed in conjunction with an industrial partner and the study will receive financial support from the Canadian and Ontario governments.

The First Three Months of 1992 Operations Compared with The First Three Months of 1991 Operations

Revenues for the three months ended March 31, 1992 were \$980,000 compared to \$62,000 for the three months ended March 31, 1991. Revenue is attributable primarily to the ENEA project in Italy which is to supply a steam explosion system, plus all related equipment to a pilot plant of the Italian Commission for New Technology for Energy and the Environment in Trisaia, Italy. Research performed under government contract, and other services performed on behalf of clients contributed \$76,000 of 1992 first quarter revenues (1991-\$62,000).

Cost of sales for the three months ended March 31, 1992 increased to \$599,000 from \$54,000 in 1991 and is primarily comprised of sub-contracting costs relating to the ENEA project.

Administration and market development costs increased to \$233,000 for the three months ended March 31, 1992 compared with \$196,000 for the three months ended March 31, 1991. This increase is largely attributable to the increased overhead costs.

The share of loss of equity accounted investees of \$40,000 is largely attributable to the Company's equity investee DeNovo Corporation. During 1992, DeNovo issued additional common shares to outside interests, through a private placement, for net proceeds of \$1,100,000. DeNovo also issued shares in exchange for shares of Consumers Paper Corp. (Consumers) in order to obtain control of 64% of the Consumers at March 31, 1992. On completion of additional financing currently in progress DeNovo will control approximately 76% of Consumers. As a result, these transactions the Company's interest in DeNovo was reduced to approximately 31% at March 31, 1992. This reduction, gave rise to a gain on dilution of \$756,000. The Company also sold 56,000 shares of DeNovo in the quarter which resulted in a gain on sale of shares of \$116,000, which is included in interest and other income for the quarter ended March 31, 1992.

**The First Three Months of 1992 Operations Compared with
The First Three Months of 1991 Operations (Con't)**

During the quarter ended March 31, 1992 the Company's investments in Justice Electronic Monitoring Systems Inc. yielded equity income of \$3,000, and Southdale Integrated Systems Inc. yielded a equity loss of \$2,000.

Liquidity and Capital Resources at March 31, 1992

Cash and short-term deposits increased by \$130,000 for the quarter ended March 31, 1992. This increase is largely attributable to the receipt of an interim payment from ENEA in the quarter. The total contract is valued at \$2,900,000 U.S. and the start up of the facility is expected in July, 1992. The Company will receive additional cashflow of approximately \$725,000 from this contract through to September this year.

Accounts receivable decreased to \$183,000 at March 31, 1992 from \$211,000 at December 31, 1991. This decrease is attributable to normal operations.

Accounts payable increased to \$785,000 at March 31, 1992 from \$666,000 at December 31, 1991. This increase reflects the accrual of costs relating to the ENEA project.

Deferred revenue decreased to nil at March 31, 1992 upon the recognition of this revenue in the first quarter.

The current portion of long-term debt consists of scheduled payments to the Eastern Ontario Development Corporation under the Venture Capital loan and principal payments under the Company's mortgage loan.

Long term debt also includes a mortgage on the Company's executive offices and principal laboratory facilities which carries monthly mortgage payments of \$7,564 until September 1992, at which time the loan is due. The Company intends to renew the mortgage loan at that time and has received confirmation from the lender that providing the mortgage loan is in good standing at that time, the lender anticipates being in a position to offer renewal terms.

PART II. OTHER INFORMATION

Item 6.

No reports were filed.

STAKE TECHNOLOGY LTD.
UNAUDITED CONSOLIDATED BALANCE SHEETS
AS OF MARCH 31, 1992 AND DECEMBER 31, 1991
 (Expressed in Canadian Dollars)

	MARCH 30, <u>1992</u> \$	DECEMBER 31, <u>1991</u> \$
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ASSETS

CURRENT ASSETS

Cash and short-term deposits	453,000	323,000
Accounts receivable	183,000	211,000
Inventories	416,000	416,000
Other assets	<u>63,000</u>	<u>67,000</u>
	1,115,000	1,017,000

PROPERTY, PLANT AND EQUIPMENT

	1,411,000	1,427,000
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PATENTS, AND TRADEMARKS

- at cost, less accumulated amortization of \$427,000 (December 31, 1991- \$411,000)		
	433,000	449,000

INVESTMENTS AND ADVANCES (note 3)

-(quoted market value of listed shares at March 31, 1992 \$ 13,190,000 (December 31, 1991 \$5,273,000)		
	<u>2,694,000</u>	<u>1,997,000</u>
	<u>5,653,000</u>	<u>4,890,000</u>

LIABILITIES

CURRENT LIABILITIES

Accounts payable and accrued liabilities	785,000	666,000
Deposit on projects	950,000	950,000
Deferred revenue	-	216,000
Current portion of long-term debt	<u>53,000</u>	<u>53,000</u>
	1,788,000	1,885,000

LONG-TERM DEBT

	<u>930,000</u>	<u>942,000</u>
	<u>2,718,000</u>	<u>2,827,000</u>

SHAREHOLDER'S EQUITY

CAPITAL STOCK (note 4)	20,992,000	20,992,000
CONTRIBUTED SURPLUS	4,635,000	4,635,000
DEFICIT	<u>(22,692,000)</u>	<u>(23,564,000)</u>
	<u>2,935,000</u>	<u>2,063,000</u>
	<u>5,653,000</u>	<u>4,890,000</u>

STAKE TECHNOLOGY LTD.
UNAUDITED CONSOLIDATED STATEMENTS OF DEFICIT
FOR THE PERIODS ENDED MARCH 31, 1992 AND DECEMBER 31, 1991
(Expressed in Canadian Dollars)

	Three months ended MARCH 31, <u>1992</u> \$	Year ended DECEMBER 31, <u>1991</u> \$
DEFICIT - BEGINNING OF PERIOD	(23,564,000)	(23,519,000)
Net earnings (loss) for the period	<u>872,000</u>	<u>(45,000)</u>
DEFICIT - END OF PERIOD	<u>(22,692,000)</u>	<u>(23,564,000)</u>

STAKE TECHNOLOGY LTD.
UNAUDITED CONSOLIDATED STATEMENTS OF EARNINGS
FOR THE PERIODS ENDED MARCH 31, 1992 AND 1991
(Expressed in Canadian Dollars)

	Three months ended <u>MARCH 31,</u>	
	1992	1991
	\$	\$
REVENUES		
Sale of goods and services	980,000	62,000
	<u>980,000</u>	<u>62,000</u>
COSTS AND EXPENSES		
Cost of goods and services sold	599,000	54,000
Research and development- net	87,000	80,000
Administration and market development	233,000	196,000
Depreciation and amortization of fixed assets	19,000	15,000
Amortization of patents and trademarks	16,000	16,000
Interest on long-term debt	24,000	29,000
Foreign exchange (gain) loss	(17,000)	4,000
Interest and other income	<u>(137,000)</u>	<u>(49,000)</u>
	<u>824,000</u>	<u>345,000</u>
Income (loss) from Operations	156,000	(283,000)
Gain on dilution of investment interests in equity accounted investees	<u>756,000</u>	<u>373,000</u>
Earnings before share of loss of Companies accounted for by the Equity Method	912,000	90,000
Share of Loss of Other Investees	<u>(40,000)</u>	<u>(32,000)</u>
NET EARNINGS FOR THE PERIOD	<u>872,000</u>	<u>58,000</u>
EARNINGS PER SHARE FOR THE PERIOD	<u>0.10</u>	<u>0.01</u>

STAKE TECHNOLOGY LTD.
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION
FOR THE PERIODS ENDED MARCH 31, 1992 AND 1991
(Expressed in Canadian Dollars)

	Three months ended MARCH 31,	
	1992	1991
	\$	\$
OPERATING ACTIVITIES		
Earnings for the year		
Items not effecting cash -		
Amortization	872,000	58,000
Gain on sale of investments	35,000	31,000
Share of loss of investees	(116,000)	-
Write-down of investments	40,000	32,000
Gain on dilution of investment interests related to equity accounted investees	30,000	-
	<u>(756,000)</u>	<u>(373,000)</u>
	105,000	(252,000)
Net decrease in non-cash working capital	<u>(65,000)</u>	<u>(73,000)</u>
Cash provided from (used in) operating activities	40,000	(325,000)
INVESTMENT ACTIVITIES		
Acquisition of property, plant and equipment	(3,000)	(1,000)
Proceeds from disposal of investments	147,000	-
Decrease (increase) in investments and advances	<u>(42,000)</u>	<u>89,000</u>
Cash provided from investment activities	<u>102,000</u>	<u>88,000</u>
FINANCING ACTIVITIES		
Decrease in long-term debt	(12,000)	(11,000)
Reduction in notes receivable	<u>-</u>	<u>7,000</u>
Cash (used in) financing activities	<u>(12,000)</u>	<u>(4,000)</u>
INCREASE IN CASH DURING THE PERIOD	130,000	(241,000)
NET CASH - BEGINNING OF YEAR	<u>323,000</u>	<u>234,000</u>
NET CASH - END OF PERIOD	<u>453,000</u>	<u>(7,000)</u>

Net cash consists of cash and short-term deposits

STAKE TECHNOLOGY LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED MARCH 31, 1992
(Expressed in Canadian Dollars)

1. The information presented in the accompanying Consolidated Financial Statements has not been audited by independent chartered accountants. In the opinion of the Company, such statements contain all adjustments necessary to present fairly the financial position of the Company, the results of its operations and the changes in its financial position for the applicable periods, in conformity with generally accepted accounting principles accepted in Canada which differ in some respects from accounting principles generally accepted in the United States, the effect of which is explained in note 5 applied on a consistent basis. The consolidated balance sheet at December 31, 1991 has been taken from the Company's Annual Report to Shareholders for the year then ended. The accompanying consolidated financial statements should be read in conjunction therewith.

2. The results of operations for the interim periods are not necessarily indicative of the results to be expected for the full year.

STAKE TECHNOLOGY LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED March 31, 1992
(Expressed in Canadian Dollars)

3. INVESTMENTS

Investment and advances to in affiliated companies comprises the following:

	MARCH 31, <u>1992</u> \$	DECEMBER 31, <u>1991</u> \$
DeNovo Corporation (March 31, 1992 - 31%; December 31, 1991 - 45%) Quoted market value at March 31, 1992 \$10,700,000 (December 31, 1991 - \$4,917,000)	2,291,000	1,606,000
Justice Electronic Monitoring Systems Inc. (March 31, 1992 - 19%; December 31, 1991 - 19%) Quoted market value at March 31, 1992 \$2,490,000; (December 31, 1991 - \$356,000)	109,000	105,000
Southdale Integrated Systems Inc. (March 31, 1992 - 35%; December 31, 1991 - 35%)	103,000	98,000
Recoupe Recycling Technologies	34,000	-
Other investments - at cost	<u>157,000</u>	<u>187,000</u>
	<u>2,694,000</u>	<u>1,997,000</u>

4. CAPITAL STOCK

	MARCH 31, <u>1992</u> \$	1991 \$	DECEMBER 31, <u>1991</u> \$
Issued and fully paid-\$ 8,608,489 common shares (March 1991 - 8,603,489 and December 1991-8,608,489)	20,992,000	20,982,000	20,992,000
Nil-Class "B" preference shares (March 31, 1991 -5,000,000) and December 1991 - NIL)	-	<u>5,000,000</u>	-
	20,992,000	25,982,000	20,992,000
Acquired and cancelled - 5,000,000 Class "B" Preference Shares	-	(1,329,000)	-
	<u>20,992,000</u>	<u>24,653,000</u>	<u>20,992,000</u>

STAKE TECHNOLOGY LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED MARCH 31, 1992
(Expressed in Canadian Dollars)

5. UNITED STATES ACCOUNTING PRINCIPLES DIFFERENCES

These financial statements have been prepared in accordance with accounting principles generally accepted in Canada. Under United States generally accepted accounting principles ("GAAP"), short-term obligations expected to be refinanced but for which the ability to consummate the refinancing has not been demonstrated through either a post-balance-sheet date issuance of a long-term obligation or a financing agreement are classified as current, development costs are not deferred, stock warrants and options issued for services rendered where the exercise price is less than quoted market value a date of grant are given accounting recognition earnings per share is computed based on the weighted average number of common shares and dilutive common share equivalents outstanding, and where revenue from a single customer represents 10% or more of total revenue, this must be disclosed with the amount of revenues from each such customer. Accordingly, the following would have been reported under U.S. GAAP:

STAKE TECHNOLOGY LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED MARCH 31, 1992
(Expressed in Canadian Dollars)

5. UNITED STATES ACCOUNTING PRINCIPLES DIFFERENCES (Con't)

	Three months ended March 31, (Unaudited)		Year ended December 31, (000's)		
	1992	1991	1991	1990	1989
Earnings (loss) before extraordinary item - as reported	872	58	(45)	(932)	(1,172)
Share of development costs deferred by equity accounted investee	(3)	(3)	(6)	3	(25)
Consulting expense related to stock warrants and options issued	-	-	-	(2)	(48)
Earnings (loss) for the year	<u>869</u>	<u>55</u>	<u>(51)</u>	<u>(931)</u>	<u>(1,245)</u>
Earnings (loss) per share	<u>0.10</u>	<u>0.01</u>	<u>0.01</u>	<u>0.11</u>	<u>0.16</u>
- U.S. GAAP					
Weighted average number of common shares and dilative common share equivalents outstanding	<u>8,608</u>	<u>8,604</u>	<u>8,607</u>	<u>8,392</u>	<u>7,582</u>
Current liabilities - as reported	1,788	721	1,885	732	738
Reclassification of 10 1/4% mortgage loan	801	812	801	812	-
Current liabilities - U.S. GAAP	<u>2,589</u>	<u>1,533</u>	<u>2,686</u>	<u>1,544</u>	<u>738</u>
Shareholders' equity					
- as reported	2,935	2,156	2,063	2,126	2,800
Cumulative development cost adjustment	(19)	(22)	(28)	(22)	(25)
Shareholders' equity	<u>2,916</u>	<u>2,134</u>	<u>2,035</u>	<u>2,104</u>	<u>2,775</u>
- U.S. GAAP					

STAKE TECHNOLOGY LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED MARCH 31, 1991
(Expressed in Canadian Dollars)

5. UNITED STATES ACCOUNTING PRINCIPLES DIFFERENCES (Con't)

The following additional disclosures are provided in accordance with SEC Regulation S-X:

Change in non-working capital balances related to operations -

	Three months ended March 31,		Year ended December 31,	
	(Unaudited) 1992	1991	(000's) 1990	1989
Accounts receivable	(28)	181	(228)	80
Inventories	-	-	18	18
Other assets	(4)	(54)	29	(19)
Refundable investment tax credits	-	-	-	578
Accounts payable and accrued liabilities	(119)	72	(50)	378
Billings in excess of costs on contracts in progress	216	175	41	-
Deposit on project	-	-	-	50
Net decrease (increase) in non-cash working capital balances related to operations	<u>65</u>	<u>374</u>	<u>(190)</u>	<u>1,085</u>
Interest paid	<u>24</u>	<u>113</u>	<u>119</u>	<u>69</u>
Increase (decrease) in bank indebtedness	<u>-</u>	<u>-</u>	<u>-</u>	<u>(329)</u>
Decrease (increase) in restricted short-term deposits	<u>-</u>	<u>-</u>	<u>-</u>	<u>300</u>

The Company has not yet adopted U.S. Statement of Financial Accounting Standards No. 109, "Accounting For Income Taxes", for U.S. reporting purposes. The effects of adopting this statement are not expected to be significant.

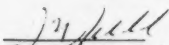
Changes in capital stock for the three months ended March 31, 1992 and the three years ended December 31, 1991 are as follows:

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned there unto duly authorized.

STAKE TECHNOLOGY LTD

May 13, 1992
Date _____


Stake Technology Ltd.
by Jeremy N. Kendall
Chairman and Chief
Executive Officer and
Principal Financial Officer